

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7124

BILL NUMBER: HB 1299

NOTE PREPARED: Jan 8, 2006

BILL AMENDED:

SUBJECT: Financial institutions.

FIRST AUTHOR: Rep. Bardon

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Pending

Summary of Legislation: Specifies that provisions of the Uniform Consumer Credit Code concerning: (1) permissible charges with respect to consumer loans; (2) required disclosures to consumers; (3) limitations on agreements and practices; and (4) enforcement actions by the department of financial institutions; apply to small loans made to Indiana residents by out-of-state creditors. Defines an "affiliate" of a financial institution. Specifies that certain minimum charges that a seller or lender may impose with respect to consumer sales or loans may be imposed only if the borrower prepays in full the sale or loan. Specifies that a person, other than a supervised financial organization, may not do either of the following without obtaining a license from the department of financial institutions (department): (1) Take assignments of consumer loans. (2) Collect payments from debtors. Makes the following changes with respect to various licenses issued by the department: (1) Allows the department to request evidence of compliance with applicable statutes at the time of application for a license, upon license renewal, or at other times determined by the director of the department (director). (2) Allows the department to deny an application for an initial license if the application is submitted on behalf of, or for the benefit of, a person who does not qualify for a license. (3) Requires a licensee to pay all reasonable costs of an investigation or examination of the licensee by the department, regardless of the number of days the investigation or examination takes. Provides that a small loan is considered paid in full upon: (1) the presentment of a check for payment from an account of the borrower; or (2) the lender's exercise of an authorization to debit the borrower's account; rather than upon actual payment by the drawee financial institution. Provides that after a borrower's fifth consecutive small loan, another small loan may not be made to the borrower within seven days after the fifth loan is paid in full. (Current law provides that another small loan may not be made within seven days after the due date of the fifth loan.) Prohibits a lender from seeking the following upon a borrower's default on a small loan: (1) Attorney's fees. (2) Treble damages. (3) Prejudgment interest. (4) Damages allowed for dishonored checks under any law other than the small loan act.

Prohibits a person from using: (1) the name of an existing mortgage lender; or (2) a name confusingly similar to that of an existing mortgage lender; in marketing materials or solicitations. Requires the following to comply with all state and federal money laundering laws: (1) certain financial institutions; (2) pawnbrokers; (3) money transmitters; and (4) licensed check cashers. Requires the department to: (1) investigate potential violations of state and federal money laundering laws; (2) enforce compliance with state money laundering laws; and (3) enforce compliance with federal money laundering laws or refer suspected violations to federal regulators, in accordance with federal law. Allows a bank or trust company to acquire real estate to be used: (1) partly as a branch or principal office; and (2) partly as rental property for one or more lessees. (Current law does not allow such real estate to be: (1) used as a principal office; or (2) rented to more than one lessee.) Provides that a financial institution may do business in Indiana using a name other than its official entity name. Establishes criteria for the director to use to determine whether an electronic activity is authorized as part of, or incidental to, a financial institution's business. Allows the department to appoint conservators for credit unions and corporate fiduciaries under certain circumstances. Establishes the powers and duties of a conservator. Provides that the director serves as an ex officio, voting member of the department. Repeals the current law governing the enforcement of sales competition.

Effective Date: July 1, 2006.

Explanation of State Expenditures: *As of the above date, the fiscal analysis of this bill has not been completed. Please contact the Office of Fiscal and Management Analysis for an update of this fiscal impact statement.*

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources:

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